

## Economics Group

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### ISM Non-Manufacturing Disappoints

**While this week's ISM Manufacturing report spurred renewed confidence in a coming recovery, albeit slow, today's Non-Manufacturing report failed to confirm such hopes. Employment and orders worsened in July.**

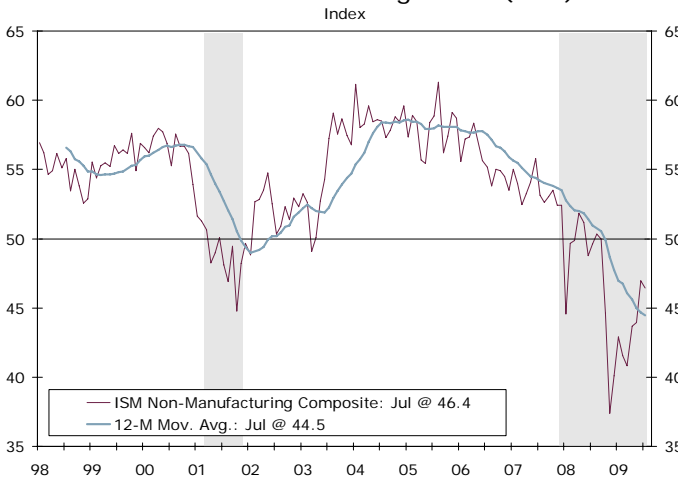
#### Weaker Headline in July

- The headline non-manufacturing index worsened to 46.4, the first decrease since March. While we continue to expect recovery in the second half, we must emphasize its sluggish nature. This step back shows smooth seas remain distant.
- Improved employment in the manufacturing report was not confirmed in the service sector, falling to 41.5. Nonfarm employers likely cut another 245,000 jobs in July.

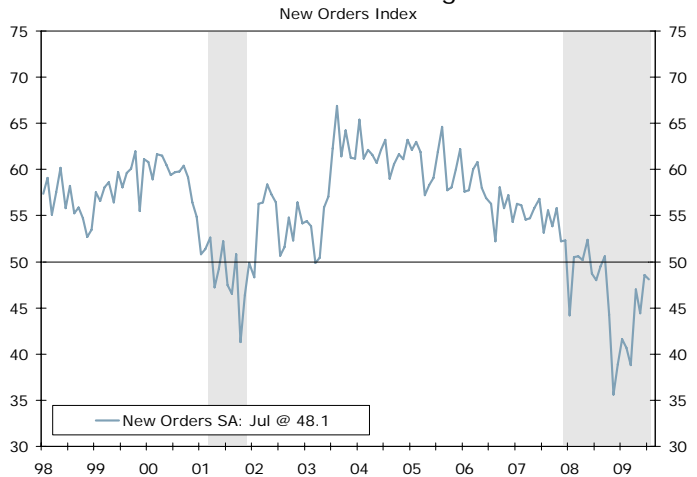
#### Orders Disappoint

- New orders typically lead the headline number, so a disappointing reading of 48.1 here could foretell more weakness in coming months.
- The service sector and manufacturing sector have tracked quite closely through this recession, with manufacturing the usual laggard—this month may turn out to be an exception as stimulus and cash-for-clunkers helped the manufacturing sector.

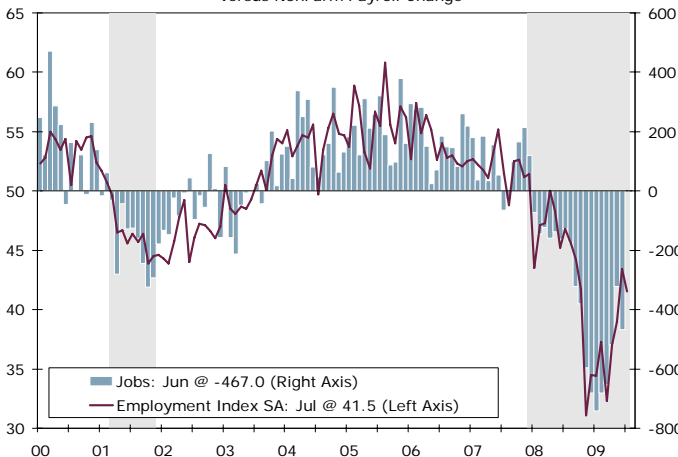
#### ISM Non-Manufacturing Index (NMI)



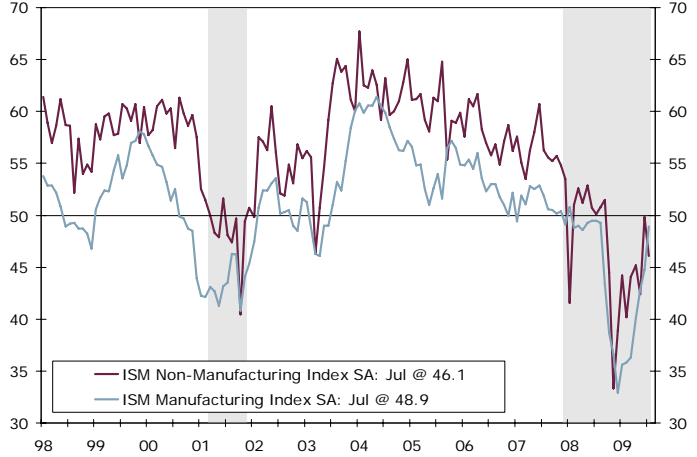
#### ISM Non-Manufacturing Index



#### ISM Non-Manufacturing Employment versus NonFarm Payroll Change



#### ISM Manufacturing & Non-Manufacturing



Source: Institute for Supply Management, U.S. Department of Commerce and Wells Fargo Securities, LLC

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